

Meeting	Audit and Risk Committee
Meeting date	16 January 2024
Meeting time	10:30 – 13:30
Meeting location	Hybrid: Tweedbank/MS Teams

Members in attendance	Helen Mackenzie	Chair
	Clare Scott	Member
	Ian Forbes	Member
Other attendees	David Robb	Chief Executive Officer, SPPA
	Iain Burns	Lead Senior Internal Audit Manager, Department of Internal Audit and Assurance
	John Burns	Chief Financial Officer, SPPA
	Frances Graham	Chief Operating Officer, SPPA
	David Gunner	Programme Director, SPPA
	Clare Moffat	Corporate Governance Manager, SPPA
	Christopher Nairns	Head of Service and Operational Delivery, SPPA
	Stuart Nugent	Senior Audit Manager, Audit Scotland
	Laura Pacey	Head of Strategy and Communications, SPPA
	Alan Paterson	Risk and Control Officer, SPPA
	Jonathan Sharp	Data Protection and Information Governance Manager, SPPA
	Debbie Trafford	Head of People, SPPA
Minute taker	Marnie Davis Wood	Governance Delivery Lead, SPPA

1. Welcome and introductions

1.1 Apologies were received from Dougie Shepherd and it was noted that Iain Burns was attending for the Department of Internal Audit and Assurance.

2. Declaration of interests

2.1 There were no changes to Committee members' Registers of Interests nor were there any declarations of interest in the business to be conducted. Clare Scott notified the committee that she has been appointed as a shareholder representative for the London Pension Fund Authority on the Local Pensions Partnership Board. There are no conflicts with her role on Audit and Risk Committee or with the business being conducted.

3. Minutes of the previous meeting

3.1 The committee agreed that the minutes of the 20 September 2023 meeting were a true and correct record, pending the following changes:

- Page 2, Item 6.1:
 - Remove 'There were no cases of fraud to report' as this is a duplication of text in the appropriate section below and was not part of the Audit Scotland Report.
 - Clarify that the committee thanked Carole Grant for the report on the agency's accounts.
- Page 4
 - Action ARC 0923.04: Change the action owner to 'risk management lead with the executive team'.
 - Action ARC 0923.05: Change the action owner to 'risk management lead'.
 - Page 5, Action ARC 0923.07: change wording to clarify this is a risk, rather than an issue.

3.2 The committee agreed that the minutes of the 5 October 2023 meeting were a true and correct record.

4. Deep Dive: Data Quality

4.1 It was noted that committee members had held a deep dive on the topic of Data Quality on 13 December 2023 and a summary of the discussion had been circulated.

5. Actions

5.1 Updates were noted on the remaining actions in progress, which remain open.

- ARC 0623.05: Update this action to the following: CFO to discuss with Ian Forbes possible formats for a regular report to ARC on Financial Controls and Budgetary Controls. Ideally this report should not be a duplication of the Financial Performance report to MAB, however, one report to both meetings could be used if there is clarity about the topics and issues each should consider. It is anticipated this report would be added to the agenda for the next and future ARC meetings.
- ARC 0923.02: Meetings to be arranged for John Burns/Ian Forbes and John Burns/Clare Scott.
- ARC 0923.07 (risk of deceased pensioners having pensions still in payment): incorporate into Action ARC 0124.01 below.
- ARC 0923.08: (offshore monthly sweep): incorporate into ARC 0124.02
- ARC 0923.09 (NFI matches): incorporate into Action ARC 0124.02.
- ARC 0923.10 (Scottish Government Shared Services): the committee noted that the implementation of this has been delayed from 1 April 2024.

Action ARC 0124.01

Operations to report to ARC on controls in place and actions taken to address National Fraud Initiative (NFI) findings at each meeting as part of the agenda item on fraud.

Owner: Frances Graham
Deadline: 26 March 2024

Action ARC 0124.02

Operations to report to ARC on controls put in place to reduce the risk of deceased pensioners who were living abroad still receiving payments.

Owner: Frances Graham
Deadline: 26 March 2024

6. External Audit

6.1 Stuart Nugent presented a verbal report to the committee, noting that:

- The NHS and Teachers' scheme annual reports and accounts had been laid before Parliament as planned
- A wash-up meeting was scheduled for late January to review the process and work on planning for 2023-24
- The annual audit plan will be presented to the March meeting of the committee
- Audit Scotland is working on the Whole of Government Accounts for 2022-23
- A National Fraud Initiative questionnaire return is being prepared
- Audit Scotland will be working with the auditors of the Scottish Police Authority and Scottish Fire and Rescue Service to coordinate an approach to the accounts as appropriate
- Audit Scotland is working with Scottish Government to manage the risk associated with the implementation of the shared services programme.

7. Internal Audit

- 7.1 Iain Burns presented a progress report to the committee, noting:
- The internal audit plan is progressing well: IT Contract Management has been issued; Transfers In and out draft has been issued to management; planning is due to commence on the Q4 audit
 - Staffing updates in the DIAA team: Garry Gibb will be the internal audit manager from April onwards
 - Digital Assurance Office is meeting with the COO in relation to McCloud Remedy and PPP programmes
 - DIAA is reviewing historical recommendations with SPPA risk and assurance team.
- 7.2 The committee discussed:
- Historical audit recommendations and how these were being reconciled.
 - Digital project delivery plans
- 7.3 The committee received the IT Contract Management review report and discussed:
- The recommendations related to the call system, and whether there is an issue about accountability for key systems and controls or whether there is a risk that this is not documented and role/post holder responsibility is not clear.
 - Whether there is a wider concern about documentation of accountabilities across the agency
 - Planning for future procurement to include the cost of change.

Action ARC 0124.03

IT Contract Management review report accountable owner to be changed to Chief Financial Officer.

Owner: Jonathan Sharp
Deadline: 26 March 2024

Action ARC 0124.04

People Committee to consider whether there is an agency-wide risk of accountabilities for key continuity measures or controls not being documented in objectives and position descriptions.

Owner: Debbie Trafford
Deadline: 26 March 2024

8. Data Quality

- 8.1 Dave Gunner provided a summary of the current status of the data quality improvement programme. The committee discussed:
- How lessons learned are being incorporated into current BAU, acknowledging that iConnect implementation will be at least 18 months away
 - The Government Actuary's Department data extraction risk.

9. 2015 Remedy

- 9.1 Dave Gunner provided an update on the programme, noting:
- Deferred choice is being addressed with a manual system as per the contingency plan whilst the strategic solution is worked on with Heywood.
- 9.2 The committee discussed:
- How SPPA's performance on deferred choice compares with other public sector organisations

- Communications from members in relation to Remedy implementation, noting that the Agency is treating the immediate detriment cohort with the appropriate urgency.
- The highest risk areas of the process being the stand-alone calculator for Teachers and NHS and the soft launch approach that will be taken and other assurances to manage this risk.

10. Pensions Platform Programme

10.1 Dave Gunner provided an update on the programme, noting:

- Performance issues following cloud migration and the performance monitoring that is now in place to hold the provider to account on performance
- Completion of a benefits map

10.2 The committee discussed the need for deeper financial benefit analysis of the PPP and requested that this be discussed further either at a meeting of the Management Advisory Board or in a separate session with Audit and Risk Committee members.

Action ARC 0124.05

David Robb to consider whether financial benefits realisation of PPP should be discussed as part of the MAB strategic discussion at the February MAB meeting or in a stand-alone discussion with ARC committee members.

Owner: David Robb / Dave Gunner / Frances Graham
Deadline: 26 March 2024

11. Counter-fraud

11.1 The committee noted that there were no cases of fraud to be reported. Alan Paterson advised that the review of the Agency's counter-fraud policy is under way and will consider definitions and reporting arrangements. The committee recommended that the updated policy include mechanisms for providing positive evidence of counter-fraud controls being implemented. Iain Burns offered to make an introduction with the Scottish Government Head of Counter-Fraud Profession.

11.2 It was noted that the National Fraud Initiative matches have been reviewed and payments to 160 members suspended pending further investigation.

Action ARC 0124.06

Iain Burns to share the contact for the Scottish Government's Head of Counter-Fraud Profession with Alan Paterson.

Owner: Iain Burns
Deadline: 26 March 2024

12. Risk Management

12.1 Jonathan Sharp reported to the committee on the current staffing arrangements and strategic priorities in the Risk and Assurance team. This includes:

- Defining escalation procedures for risks and the review cycle
- Audit recommendations tracking
- Counter-fraud policy review

12.2 The committee noted that the Risk Register is more integrated and is reflecting the business well. The committee discussed:

- The likelihood that budgetary control/cost reduction risk scores would need to increase going into the next financial year
- The Pensions Regulator's new Code of Practice

- Whether PPP benefits realisation could be considered a control measure for budgetary risk
- Oracle implementation benefits and whether the delay to implementation presented a risk to the Agency

13. Cyber Security

- 13.1 Jonathan Sharp presented an update on Cyber Security, highlighting:
- The role of contract management in managing cyber risk
 - Positive evidence for colleague behaviour in relation to phishing
 - Cyber Scotland Awareness Week (February) planned activities
- 13.2 The committee discussed possible lessons learned from the cyber attack on Western Isles local authority Comhairle nan Eilean Siar.

14. Horizon Scanning

- 14.1 The committee noted that David Robb has confirmed plans for his retirement at the end of May. Recruitment plans were in progress with the Director-General: Corporate leading.
- 14.2 The committee raised the Post Office Horizon IT scandal and risks in relation to data-sharing arrangements with third parties.
- 14.3 It was noted that there would be a UK General Election this year and any changes in government may impact pensions policy.
- 14.4 The committee noted the uncertainty in relation to inflation in the coming year.

15. Forward Look

- 15.1 Deep dive topics put forward by the executive team were discussed. The committee suggested the following risk deep dive topics for 2024:
- Counter fraud
 - Efficiency investment capabilities
 - PPP – lessons learned
 - Future IT Strategy

16. Any other business

- 16.1 The committee received an update on the HMRC overpayment recovery. It was noted that the text provided by Audit Scotland was for context only and had not been factually checked for publication.

17. Date of next meeting

26 March 2024: Virtual

Version Control		
		Version number
Date minutes sent to chair	20 October 2023	0.2
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